

April 6, 1999

The Honorable Deidre A. Lee
Administrator for Federal Procurement Policy
Office of Management and Budget
Old Executive Office Building, Room 352
Washington, DC 20503

Dear Ms. Lee:

The Department of Commerce is pleased to submit the attached supplemental information to support the COMMITS request for executive agent designation. The information focuses on key issues regarding the Department's commitments to earn the designation.

Section I describes the planned GWAC contracts including an overview of the statement of work, as well as information regarding number of contracts and planned source selection evaluation criteria.

Section II presents the business case supporting the COMMITS program. We believe this contract accomplishes three significant goals by:

- providing effective ways to support sound IT investments for the Government;
- establishing easy, but effective ways for small business to provide IT solutions to the Government; and,
- strengthening economic growth and job creation by providing opportunities to small and disadvantaged business.

As noted, we feel these contracts fill a large gap in the current GWAC market by providing a source of high quality small, small disadvantaged, 8(a) and women-owned small businesses that agencies can readily access for information technology services. Special attention was placed on describing the need for these contracts and the actions the Department is taking to ensure their success.

Section III discusses why Commerce is taking this action and how initiating and managing these contracts is directly related to the Department's mission.

Finally, Section IV addresses the planned program management organization and steps the Department is taking to ensure the highest standards of program management and quality control.

The principal goal of the COMMITS program is to provide agencies an attractive IT GWAC appropriate for small business. As noted in Section II below, the Department - working in concert with the Small Business Administration - will seek to establish agreements via a memorandum of understandings (MOU's) with other Federal agencies. These MOU's will seek to put in place review procedures to identify requirements that are candidates for the COMMITS contracts.

Commerce intends to establish an environment where each agency considers COMMITS to be "their" contract.

We understand that executive agent designation places significant responsibilities on the Department, to ensure that task orders placed against our contracts meet the highest quality standards and compliance with all applicable acquisition regulations and good business practices. As evidenced by the supplemental information, the Department is ready, willing, and able to meet these standards. Commerce believes that COMMITS will be a model for other GWAC's to follow and invites OFPP to partner with us in identifying and promulgating our best practices.

If you have any questions regarding the supplemental information, or if we can be of any assistance, please contact any of the individuals listed below.

Sincerely,

Robert A. Welch
Director for Acquisition Management
and Procurement Executive

Alan P. Balutis
Deputy Chief Information Officer

Tlaloc J. Garcia
Director, Office of Small and
Disadvantaged Business Utilization

U.S. Department Of Commerce

**COMMERCE INFORMATION TECHNOLOGY SOLUTIONS
(COMMITTS)**

Executive Agent Designation Supplemental Information

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I. DESCRIPTION OF THE PROPOSED GWAC

The principal goal of the Commerce Information Technology Solutions (COMMITTS) program is to provide an attractive alternative GWAC vehicle that allows agencies to satisfy information technology requirements that are appropriate to be performed by small and minority owned business. This will be accomplished by establishing a GWAC, under the explicit statutory authority of the Clinger-Cohen legislation, to provide a pool of exceptionally qualified, high quality small, small disadvantaged, small disadvantaged 8(a), and women-owned small business contractors. These contractors will provide information technology solutions to the Department of Commerce and other Federal agencies. The intent is to identify the top small business talent in the nation and award them contracts to provide information technology solutions in three major functional areas:

- Information Systems Engineering (ISE) Support Solutions
- Information System Security (ISS) Support Solutions, and
- Systems Operations and Maintenance (SOM) Support Solutions.

The functional areas were chosen because they reflect the composition of the information technology market. Market research indicates that many small (and large) businesses are structured to focus on these market segments. It is also noted that the selected functional areas are similar to the very successful Department of Transportation's Information Technology Omnibus Procurement (ITOP).

In accordance with FAR 16.5, the Department intends to award multiple indefinite delivery, indefinite quantity (ID/IQ) contracts within these functional areas. The contracts will have a five-year life (two-year base period and three one-year options). Within each functional area, the goal is

to award a minimum of three contracts in each socioeconomic business category within Standard Industrial Classification (SIC) Code 7379.¹ The Department has a goal to award a minimum of 12 contracts per functional area, for a total of 36 contracts.² While no maximum number of contracts has been determined, the Department will keep the number of awards to a reasonable amount considering such factors as:

- maintaining sufficient number of vendors to ensure adequate competition for issuing task orders throughout COMMITS five-year life;
- avoiding unnecessary and burdensome contract administration; and,
- ensuring that winning contractors have the opportunity for receiving a meaningful level of task order work.

Consistent with Federal Acquisition Regulations Part 16.5, fair opportunity procedures, the contract award structure was created to allow post award competition within each functional area among all business categories.

The COMMITS source selection is being conducted as a small business set-aside under the provisions of FAR 6.203 and FAR Part 19. COMMITS is a competitively negotiated source selection conforming to FAR Part 15 procedures. In keeping with the goal to identify the top small business talent in the nation, COMMITS evaluation criteria focus on past performance with special emphasis on quality recognition and certifications. If it is necessary to enhance competition in any functional area, selection will be made from among all business categories against Section M evaluation criteria. In addition, the source selection will make maximum use of oral presentations and will keep written proposals to a minimum. Following a streamlined process, proposals were received on March 26, 1999, and awards will be announced in late April or early May.

Although our initial estimates were \$500 million, we now project the maximum value of the COMMITS program to be \$1.5 billion (approximately \$42 million per contract if 36 contracts are awarded). This is due to the significant interest we have already received from other federal agencies. Discussed in more detail below, one objective of the COMMITS program is to "take back" requirements that are going to large business GWACS. Under this concept, the Department, in cooperation with the Small Business Administration, is looking to establish memorandums of understandings with other agencies to review all information technology tasks below \$100,000.³

¹ This approach has been coordinated with the Department of Justice. Department of Commerce legal advisors can provide the details of this coordination.

² Contract Awards:

- (1 functional area) x (4 socioeconomic business categories) x (3 contracts per business category) = 12 contracts per functional area.
- (12 contracts per functional area) x (3 functional areas) = 36 contracts

³ \$100,000 represents the dollar threshold set-aside for small businesses.

These tasks would be considered to be mandatory for consideration under COMMITTS. In addition, tasks below \$5 million may be appropriate for small business to perform. The ability and appropriateness of small business to perform this level of tasks is dependent on the size scope and complexity of the requirements. The Department of Commerce is seeking to establish MOU's with other Federal agencies that will encourage each agency to review all proposed information technology tasks below \$5 million to identify those that are appropriate to be performed by very high quality small businesses. If only a small percentage of tasks below \$5 million that are currently being placed with large business GWACS, are placed with COMMITTS program, a \$1.5 billion ceiling with quickly be met.

II. BUSINESS CASE SUPPORTING THE ACQUISITION

There exists today in the Department of Commerce and throughout the government an unmet need for efficient, effective, and economical means of performance-based task-order contracting with high quality small business, small disadvantaged business, small disadvantaged 8(a) business, and women-owned small business providers of information technology services. Meeting this need will help accomplish three significant goals by:

- providing effective ways to support sound IT investments for the Government;
- establishing effective ways for small business to provide IT solutions to the Government;
- strengthening economic growth and job creation by providing opportunities to small and disadvantaged business.

It is well understood that there is a proliferation of GWAC and multi-agency contracts providing IT services. The Department also understands that for COMMITTS to be successful, the program must provide a valuable service that is not currently being met. The primary target market and business focus for COMMITTS is to identify a pool of high quality small businesses that can provide outstanding information technology solutions. As such, it is not so much viewed as a socio-economic program but as an opportunity to identify the top small business talent in the nation and provide a GWAC contract vehicle that will allow economic and efficient methods of accessing this talent. We firmly believe that the COMMITTS program offers a unique and very high quality source of information technology services that will complement existing GWAC sources.

On November 5, 1997, Administrator Alvarez of the Small Business Administration wrote to Secretary Daley: "As we approach the next decade, I am asking you to join me in voluntarily establishing a goal to award 23 percent of federal contract dollars to small businesses by the year 2000." Commerce has embraced Administrator Alvarez's challenge and had set a stretch goal to triple that challenge by the end of fiscal year 2000. Similarly, and within that ambitious goal, the department has established stretch goals of 30 percent to minority firms and 10 percent to women-owned businesses. To assist the Department in meeting those precedent setting goals, it was decided to establish a multiple award ID/IQ contract to provide information technology services. The decision to request executive agency authority was based on a recognition that if Commerce saw the critical need for contract vehicles to assist in meeting its small business goals, then other Federal agencies would also benefit from having access to these contracts.

At the same time, small businesses are finding it difficult to identify opportunities to compete and some agencies are finding it increasingly difficult to meet established small business goals. The lack of established contractual vehicles where high quality small businesses could easily be accessed has contributed to agencies' difficulties in meeting the established goals. In fact, it is significantly easier today to place a million-dollar order with a large business GWAC contractor than it is to conduct a \$50,000 simplified acquisition competition.

With the above objectives in mind, the COMMITS program is being structured with the following characteristics to ensure its success.

COMMITS source selection is structured to identify and award contracts to the top small business talent in the nation. There is a simple reason for this: program managers are understandably reluctant to incur risk. There is a perceived risk related to contracting with small businesses with unknown past performance records. By focusing on past performance, quality recognition and certifications Commerce will select award-winning contractors with credentials attesting to the quality of their work. The Department anticipates that the COMMITS contractors will be recognized high quality firms with which agencies will actively seek to do business.

To maintain and document this advantage, performance-based specifications will be required under COMMITS task orders. The COMMITS program office will carefully track contractor performance to ensure a consistently high level of performance and customer satisfaction. The program office will also implement a post-award program to monitor quality assurance and customer satisfaction metrics. We have already signed an interagency agreement to use the National Institute of Health's Internet-based Contractor Performance System. This system is widely recognized as the best tool for continually monitoring contractor performance and is in use at NASA, the U.S. Air Force, the U.S. Postal Service, Treasury and elsewhere in the government.

The Department will initiate an aggressive outreach program to encourage other agencies to place orders against the COMMITS contracts. As evidenced by the Government participation at the pre-proposal conference, Commerce has already been effective through its close coordination with the Small Business Administration (SBA), other agencies' Procurement Executives, Chief Information Officers, Small Business Specialists, and acquisition officials to publicize and market this vehicle. The Department is further seeking to establish Memorandums of Understandings (MOU's) with the federal agencies to use the COMMITS contracts to the maximum extent practicable. The intent is for agencies to agree to actively seek tasks that would be appropriate for this contract. It is envisioned that agency small business specialists would be empowered to review requirements that program offices are considering for performance under large business GWAC's. This would include all tasks below \$100,000 that are traditionally set aside for small business, as well as reviewing all tasks under \$5 million to see if a COMMITS contractor would be capable of providing a high quality solution. Within the Department of Commerce, COMMITS is a mandatory source for consideration, and Commerce program managers must include COMMITS contracts among the potential sources considered for acquisition of IT service requirements. Agency acquisition documentation must include a description of the procurement vehicles and acquisition methodologies considered and, if the COMMITS contracts are not used, the basis for this decision. Two agencies, USDA and Interior have already expressed interest in establishing MOU's.

COMMITTS implements a true solution based structure. Under this structure the contracts allow flexibility to add labor rates and categories to those proposed at contract award, and do not contain pre-established line items for equipment or software. The COMMITTS' solution approach will not limit the contractors to predefined contract line items. Subcontracting restrictions above that required by the FAR, as well as pre-established product listings on other GWAC contracts, often constrain the contractors' ability to provide the best solution for the government's requirements. For each fair-opportunity task order competition, the COMMITTS contractors will be free to identify and propose the best solution. The focus of this contract is results. If a task requires a Nobel Laureate and specialized equipment, COMMITTS contractors are authorized to include that level of service in the task order proposal. This is in contrast to the majority of existing GWAC's that contain stringent subcontracting and product modification requirements. In those cases, if specialized experience or products are required to meet an agency's needs current GWAC contractors may be reluctant to propose those items or services. Additionally, pre-established line items quickly become overpriced as IT products prices predictably fall, some on a daily basis. Further, with the rapid change in technology, additions of products introduce significant administrative overhead to negotiate technology refreshment modifications. All these pitfalls are negated with a solution-based approach.

COMMITTS contractors will be authorized, when appropriate, to use the Federal Supply Schedule contracts to take advantage of the Government's significant quantity discounts. This will remove a disadvantage many small businesses face in competing against large businesses. Many small businesses cannot negotiate the same level of discounts that the Government and large business are able to obtain. Use of FSS schedules, either directly or as a benchmark, will assist COMMITTS contractors competitively and with keeping costs reasonable. Related to this and the previous solutions based point, the SBA on February 18, 1999, waived for COMMITTS the Nonmanufacturer Rule as provided for in Public Law 101-574, Section 210.

Agencies that place orders against the contract will receive credit for the appropriate category of small business contracting. This is a significant advantage to federal agencies. The COMMITTS contractors, with their recognized quality credentials, will provide a low risk alternative for competitive IT acquisitions. In truth, we want the quality of the contractors to be the major impetus for using the COMMITTS contracts. The fact agencies can get small business or other category of credit is an added bonus.

Finally, the scope of the contract is larger than most GWAC's/BPA's. COMMITTS contracts will be made available to all Federal Government agencies.

III. RATIONALE FOR WHY THE DEPARTMENT PROPOSES TO PROVIDE CONTRACTING SERVICES FOR OTHER GOVERNMENT AGENCIES

An essential part of the Department of Commerce's mission, as stated in its strategic plan (1997-2002), is to promote job creation, economic growth, sustainable development, and improved living standards for all Americans, by working in partnership with business, universities, communities, and workers to:

- build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the nation's economic infrastructure; and,

- keep America competitive with cutting-edge science and technology and an unrivaled information base.

The first theme addresses the Nation's "economic infrastructure," which is concerned in part with our nation's job-creation abilities, the economic health of our communities, and support for small and minority business. The second theme addresses issues of technological development and innovation, which are closely tied to the soundness, depth, and competitiveness of the economic infrastructure. The Department of Commerce clearly recognizes within its mission the requirement to assist small businesses, which are the nation's major engine of economic growth and development.

These mission objectives are reflected in the Department's Annual Performance Plan (1999) which specifically addresses increasing opportunities for small, small minority, and women-owned small businesses. To advance these goals, Secretary Daley announced a multi-faceted initiative for increasing procurement opportunities for small businesses. The Department's bold, innovative contracting program - called SDB 2000 - is designed to make the Department of Commerce the government-wide leader in enlightened support to small, minority and women-owned business. The program details 10 separate, but interrelated acquisition reform initiatives. These initiatives are fully discussed in two March 1999 articles in Contract Management magazine. A major initiative in the program is the establishment of a multiple award government-wide ID/IQ contract among highly qualified small, small disadvantaged, small disadvantaged 8(a) and women-owned small businesses.

A reality of today's post acquisition reform environment is the fact that many requirements that traditionally would have been publicly announced are being met through task and delivery order contracts.⁴ Small businesses are not aware of these requirements and do not have the opportunity to compete. This stifles the ability of these businesses to develop the skill and experience to grow and mature. These small businesses are the bedrock of America's competitiveness, and thus an essential element of the economic infrastructure; it is contrary to Commerce's interests and mission to not provide small business with this type of contracting opportunity.

Through COMMITS, the Department intends to level the playing field with a small business GWAC that makes it as convenient to place an order with a high quality small business as it currently is with a large. The COMMITS contracts would be available to both the Department and other government agencies and would provide a pool of high quality talent from which to acquire information technology services. It would provide an efficient and effective means of awarding tasks to such businesses as prime contractors, while at the same time supporting the Department's mission of increasing opportunities for small, small minority, and women-owned small businesses. As such, it is believed the proposed GWAC contracts will fill an important need and will greatly assist the Department in meeting an important agency mission objective and performance measure.

⁴ See, for example, April 1, 1999 article in The Washington Post: U.S. Purchases from Area Firms Hit \$25 Billion. Among other things, the article says: "...federal purchases continue to support the region's minority-owned contractors as well as - the nations largest such contingent. But their federal business declined by 3 percent last year to \$2.9 billion. The 1998 contract data shows. *The drop follows changes in contracting policies that provide advantages to large firms.*

At the same time, this initiative will assist other Federal agencies with meeting essential information technology requirements with high quality, performance focused, companies. As a bonus, tasks placed against the COMMITS contracts will also assist agencies in achieving their small business program goals.

IV. PROGRAM MANAGEMENT STRUCTURE AND PROCEDURES

The Department of Commerce understands that by being designated an Executive Agent it is assuming responsibilities in addition to ensuring that all orders placed under the proposed contracts meet the requirements of law and regulation. This includes ensuring the proposed task orders have received budgetary and internal agency approvals, as well as ensuring the competitive requirements of the FAR are met. In performing the executive agent function, the Department will put procedures in place to ensure that all orders placed under these contracts will set the standards for other GWAC's to follow.

We have already established a close informal working relationship with Transportation's ITOP Program Manager and intend to do likewise with other GWAC Program managers. We are in receipt of numerous documents relating to management of GWAC contracts. These include consensus on principles applicable to the acquisition of services under multi-agency contracts and government-wide acquisitions ("Mayflower Compact"), as well as all guidance issued by OMB. We also have copies of the ITOP executive agency delegation and will comply with reporting requirements and management oversight responsibilities stated therein. Based on these documents the Department will take the following actions to establish and operate the COMMITS program office.

The COMMITS program manager will be an active member of the Program Managers Council and will support OMB in developing best practices and reporting requirements. The program office understands both the principles and the intent behind the Mayflower Compact and agrees to manage the COMMITS contracts within its principles.

The COMMITS GWAC is intended to provide agencies a low risk alternative of placing task orders with small businesses. There are two key elements for success under this program. One, sound contracting practices provided by procurement professionals trained in managing this type of vehicle. Second, sound program management of all projects. Using a risk management approach we will hire appropriate staff/support for our office and delegate authority to other organizations provided they meet these two principles. All task orders will be examined to ensure they are appropriate for small business contractors, or that the small business can manage the effort within the contract's subcontracting restrictions (50% rule). Given the program office's focus on performance and performance measurement, as more fully described below, Commerce will not accept efforts that are not appropriate and could create a situation where a contractor fails to perform. While all tasks will be reviewed to determine if they are appropriate for COMMITS, large dollar (over \$5 million) tasks will receive additional scrutiny to ensure that the COMMITS contractors could meet a high quality standard of performance.

The COMMITS program office will stress the importance of sound project management principles and apply these principles to the GWAC and individual tasks. These include needs identification, project selection, planning, execution, control, evaluation, and termination. We will

establish a risk management approach to monitor cost, schedule and performance measurement monitoring throughout the life of this program.

The COMMITTS program office is familiar with the basic tenets of both modular and performance-based contracting. Proposed task orders will be reviewed to ensure they are appropriate for the COMMITTS contractors to perform. Additionally, the tasks will be reviewed to ensure they are as narrow in scope and brief in duration as possible, and that the tasks state specific outcome objectives that are related to the agency's underlying mission.

The program office will also carefully consider any requests for delegation of ordering authority. An underlying COMMITTS program management philosophy is that the program contracting officer can delegate authority to other agencies to place orders, but he or she cannot absolve themselves from the responsibility to ensure that all orders placed under the COMMITTS contracts meet acceptable standards of quality and compliance. Commerce strongly believes that the GWAC awarding agency is responsible for all actions taken under its contracts. As such, the COMMITTS program office will have a formal quality assurance program and will perform random sample post-award reviews of task orders. These reviews will examine orders to ensure the appropriate pre-award approvals had been received and task orders were issued in compliance with contract terms and conditions. Special emphasis will be placed on ensuring that meaningful fair-opportunity competition was received and that the task's prices were fair and reasonable.

One of the realities of a solutions-based contract structure is the increased reliance on the fair-opportunity competitive procedures. Fair-opportunity competitions are critical for the success of this program. Without pre-established prices and rates, the contracting officer conducting the fair-opportunity competitions must rely on meaningful competition to ensure fair and reasonable pricing. Best value selection supported with reliable past performance data is a core principle for the success of the COMMITTS program. The FAR does recognize exceptions to the fair opportunity competitive process. However, it is understood that task orders that are not subject to competitive procedures will require additional effort on the CO's part to make a determination that the proposed prices are fair and reasonable. Price analysis and other methods of determining price reasonableness will be required for these exempted awards. To the extent practicable, they will be avoided.

The COMMITTS program will also embrace performance-based contracting. For any statements of work that are not performance based, the COMMITTS program office will require that task order proposals contain performance metrics. This is an interim solution to provide time for the Government to retrain its work force to draft performance-based specifications. Alternatively, the COMMITTS program office will make its support contractors available to assist agencies that wish to develop performance-based statements of work. In either instance, performance measures will be identified and tracked for each task order.

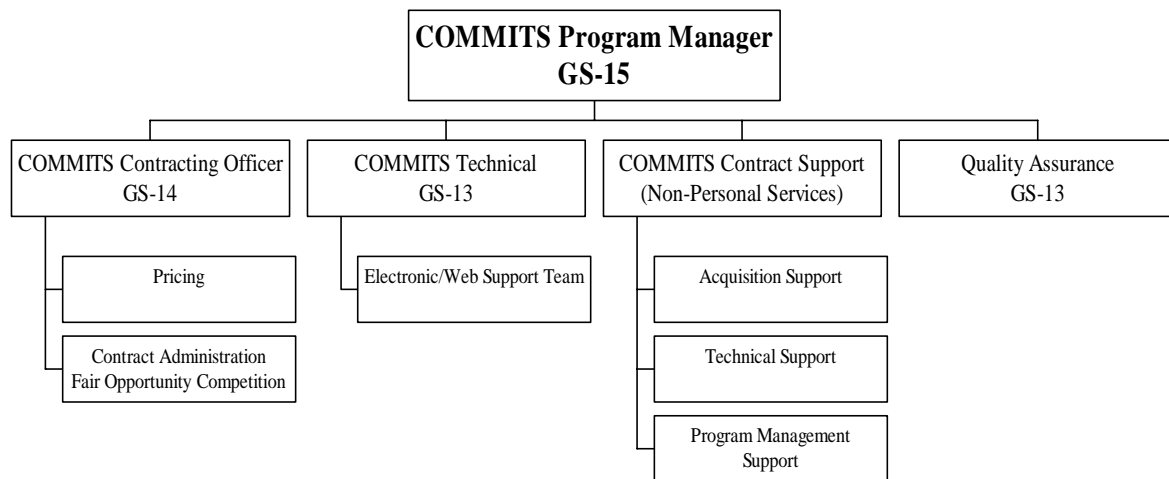
Performance measurement will be a critical part of the COMMITTS past performance database. Rather than collect subjective data on "how happy" the user was with the contractor's performance on a scale of 1 to 5, the COMMITTS past performance database will focus on the task's performance measures. Identifying actual performance against metrics is significantly more meaningful and reliable, and provides a valuable "yardstick" for reporting and collecting information for future task order fair-opportunity competitions. The program office intends for the

COMMITTS past performance database to serve as the model for reliable, current and accurate past performance information. And, as more fully discussed above, the COMMITTS Program Office will use the National Institute of Health's Internet based past performance system.

The program office will also establish a formal COMMITTS customer process improvement working group consisting of program office, COMMITTS contractors and other interested parties. The working group will meet every other month to discuss customer satisfaction metrics and ways to improve the measurement and quality of services provided under the contracts.

In addition, the program office will actively work with the COMMITTS contractors to assist them with identifying and implementing improved management and quality control systems. This will include making available management training and tools. The quality of performance and capabilities of the COMMITTS contractors are of direct interest to the Department and their ability to measure quality performance is critical to the success of the COMMITTS initiative. To this end, performance-based specifications and measurement against metrics are critical components of the COMMITTS program.

The following chart represents the proposed organizational and staffing structure for the Commerce COMMITTS Program Office.



The COMMITTS Program Office structure is based on a core group of Government personnel augmented with expert contractor support (for flexibility in management and operations).

There are several unknowns in preparing to manage GWAC contracts. These include an unknown number of task orders and requirements for acquisition support. For example, how many task orders will be placed against the contracts? Of those, how many will require direct action by the program office? How many can be delegated to the requesting activity? How many requesting activities will require acquisition, technical or program management support? In addition, workload varies widely on a seasonal basis, most notably fiscal year end.

These unknowns make it difficult to staff an office with FTE government employees. That is why expert contractor support is attractive, as the contractor's staff can be tasked on an as-needed basis. The Department will maintain core Government expertise to perform inherently Governmental functions, such as selecting the best value task order proposals for award and making final decisions. Core functional positions include the program manager and contracting officer. Additional program management positions will support the web site, electronic ordering/past performance records, and quality assurance functions.

Contractor support will provide two functions. First, as tasked it will assist the COMMITS contract office. This could include such functions as web and Internet support, as well as program and contract support. In no cases will contracted program office support perform inherently governmental functions. Any fee that may be charged for use of the COMMITS contract will be limited to covering expenses. It is in the best interest of the COMMITS program office to keep any GWAC service fee to a minimum. Any fee will be carefully formulated to only cover Commerce's actual expenses.

It is anticipated that a portion of potential users of the COMMITS contract will require assistance in developing performance based statements of work and quality assurance plans. To assist those agencies, the COMMITS program office will identify a pool of highly qualified contractors to provide expert assistance in developing technical evaluations, incentive plans, performance specifications, and assisting with program management. These contractors are available on an as needed basis and are independent of the COMMITS program office. The agency requiring the support will be responsible for contracting with the support contractors.